life annuity specialist

Lincoln Dominates Market for Hybrid Long-Term-Care Policies, S&P Says

By Warren S. Hersch May 29, 2019

Lincoln Financial's headquarters in Radnor, Pa.

Lincoln Financial has the most customers for life insurance products that also offer long-term-care insurance benefits, according to new data from S&P Global Market Intelligence**.**

The financial information and analytics firm discloses in new research that Lincoln had 180,580 active hybrid or "acceleration" policies at the close of 2018, up 9.6% from 2017, the financial information and analytics firm said in new research. Lincoln's policy count far outstripped those of others in the top five, including Transamerica (103,588), John Hancock (79,699), Unum (39,859) and RiverSource (32,951).

Carriers that had the largest increases included Northwestern Mutual, which was up 60% to 19,479 policies. The number of contracts for Transamerica rose 58% and for RiverSource it climbed 17%.

The hybrid offerings, also known as linked-benefit products, accelerate a portion of the death benefit to cover the insured's long-term-care expenses. Whatever remains goes to beneficiaries when the customer dies.

Hot Off the Assembly Line

Insurers that introduced hybrid offerings in the product segment this year include Nationwide, which last week rolled out CareMatters II. The offering, an upgrade to a popular universal life product, comes with a maximum $1.75 million long-term-care benefit, an inflation rider that links to a medical component of the Consumer Price Index, plus a guaranteed payout of 20% of the death benefit to a beneficiary.

In February, Brighthouse Financial unveiled a hybrid universal life policy with a distinguishing feature: a long-term-care rider that links to one of several indexes, including the S&P 500. The rollout is the carrier's first life product since its spinoff from MetLife in 2017.

Sales of life insurance products with long-term-care benefits totaled $4.1 billion in 2017, an 18% rise from 2016's result, according to LIMRA**.** The product category accounts for 25% of new U.S. life insurance premiums, LIMRA data show.

The products have proven to be profitable for writers of the hybrid offerings, in part because of insurers' favorable claims experience. A Milliman report issued in March shows that policyholders filed for benefits at less than 75% of the expected rate. They also made claims at a lower rate than individuals who own standalone long-term-care insurance contracts.

That disconnect may be contributing to the markedly different fortunes of the two product types in recent years. Since 2014, the total count of life insurance policies with a long-term-care benefit rose by about 200,000 to more than 500,000, a greater than 50% increase.

Over the same period, the number of standalone long-term-care contracts dipped by nearly 400,000. At year-end 2018, the total stood at 4.3 million-plus policies, down from just over 4.7 million, according to S&P Global.

The firm adds that there were only about 58,000 standalone contracts issued in 2018, down from about 68,000 the year before.

In recent years, insurers that sell standalone policies have repeatedly requested premium increases from state regulators because their assumptions about long-term care costs and claims proved inaccurate. Carriers have set aside more than $100 billion in reserves to cover long-term-care claims, but Evercore Partners Senior Managing Director Thomas Gallagher warned at an insurance conference last June that they may have to triple reserves over the next decade to cover shortfalls.

In Negative Territory

Not all the hybrid carriers experienced gains in policy counts last year. Among the 10 companies surveyed, Trustmark suffered a 11% dip to 30,182 policies. And Genworth Financial's total fell 1.3% to 9,459.

Genworth has for more than two years been seeking federal government approval of its acquisition by China Oceanwide Holdings**.** Earlier this month, the two companies extended for a 10th time, to June 30, the proposed $2.7 billion merger.

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